



An IDACORP Company

IDAHO POWER COMPANY  
P.O. BOX 70  
BOISE, IDAHO 83707

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IDAHO PUBLIC  
UTILITIES COMMISSION

PATRICK A. HARRINGTON  
Attorney

December 5, 2006

Ms. Jean D. Jewell  
Secretary  
Idaho Public Utilities Commission  
Statehouse  
Boise, Idaho 83720

Re: In the Matter of the Application of Idaho Power Company for an Order  
Authorizing the Issuance and Sale of up to \$300,000,000 of Applicant's  
First Mortgage Bonds and Debt Securities

Case No. ~~IPC-E-04-22~~ IPC-E-06-28

Dear Ms. Jewell:

Enclosed please find six (6) copies of Idaho Power's financial exhibits for its Supplemental Application in the above referenced case. The financial exhibits consist of (a) Actual and Pro Forma Balance Sheet and Notes to Financial Statements, (b) Statement of Capital Stock and Funded Debt, (c) Commitments and Contingent Liabilities, (d) Statement of Retained Earnings and (e) Statement of Income.

Please feel free to contact me at 388-2878 or at [pharrington@idahopower.com](mailto:pharrington@idahopower.com) if you have any questions regarding this filing.

Sincerely,

Patrick A. Harrington

c: Terri Carlock

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ATTACHMENT I(a)

IDAHO PUBLIC  
UTILITIES COMMISSION

IDAHO POWER COMPANY  
BALANCE SHEET  
As of September 30, 2006

ASSETS

	Actual	Adjustments	After Adjustments
<b>Electric Plant :</b>			
In service (at original cost).....	\$ 3,568,485,376	\$	\$ 3,568,485,376
Accumulated provision for depreciation.....	(1,410,614,954)		(1,410,614,954)
In service - Net.....	2,157,870,422		2,157,870,422
Construction work in progress.....	194,518,515		194,518,515
Held for future use.....	2,809,770		2,809,770
Electric plant - Net.....	<u>2,355,198,707</u>		<u>2,355,198,707</u>
<b>Investments and Other Property:</b>			
Nonutility property.....	888,881		888,881
Investment in subsidiary companies.....	59,614,380		59,614,380
Other.....	<u>28,205,363</u>		<u>28,205,363</u>
Total investments and other property.....	<u>88,708,624</u>		<u>88,708,624</u>
<b>Current Assets:</b>			
Cash and cash equivalents.....	4,405,714	240,000,000	244,405,714
<b>Receivables:</b>			
Customer.....	55,848,751		55,848,751
Allowance for uncollectible accounts.....	(900,172)		(900,172)
Notes.....	3,115,066		3,115,066
Employee notes.....	2,667,947		2,667,947
Related party.....	732,483		732,483
Other.....	9,372,198		9,372,198
Accrued unbilled revenues.....	27,668,468		27,668,468
Materials and supplies (at average cost).....	37,010,859		37,010,859
Fuel stock (at average cost).....	15,013,873		15,013,873
Prepayments.....	14,199,307		14,199,307
Regulatory assets.....	<u>881,451</u>		<u>881,451</u>
Total current assets.....	<u>170,015,945</u>	240,000,000	<u>410,015,945</u>
<b>Deferred Debits:</b>			
American Falls and Milner water rights.....	31,585,000		31,585,000
Company owned life insurance.....	34,019,694		34,019,694
Regulatory assets associated with income taxes.....	337,862,444		337,862,444
Regulatory assets - PCA.....	9,941,494		9,941,494
Regulatory assets - other.....	23,222,143		23,222,143
Employee notes.....	2,454,106		2,454,106
Other.....	<u>41,631,429</u>		<u>41,631,429</u>
Total deferred debits.....	<u>480,716,310</u>		<u>480,716,310</u>
Total.....	<u>\$ 3,094,639,586</u>	<u>\$ 240,000,000</u>	<u>\$ 3,334,639,586</u>

IDAHO POWER COMPANY  
BALANCE SHEET  
As of September 30, 2006

CAPITALIZATION AND LIABILITIES

	Common Shares Authorized	Common Shares Outstanding	Actual	Adjustments	After Adjustments
Equity Capital:	50,000,000	39,150,812			
Common stock.....			\$ 97,877,030		97,877,030
Premium on capital stock.....			483,707,552		483,707,552
Capital stock expense.....			(2,096,924)		(2,096,924)
Retained earnings.....			399,988,429		399,988,429
Accumulated other comprehensive income.....			(4,178,197)		(4,178,197)
<b>Total equity capital.....</b>			<b>975,297,890</b>		<b>975,297,890</b>
Long-Term Debt:					
First mortgage bonds.....			785,000,000	240,000,000	1,025,000,000
Pollution control revenue bonds.....			170,460,000		170,460,000
American Falls bond and Milner note guarantees.....			30,521,363		30,521,363
Unamortized discount on long-term debt (Dr).....			(3,154,231)		(3,154,231)
<b>Total long-term debt.....</b>			<b>982,827,132</b>	<b>240,000,000</b>	<b>1,222,827,132</b>
Current Liabilities:					
Long-term debt due within one year.....			1,063,637		1,063,637
Notes payable.....			27,190,000.00		27,190,000
Accounts payable.....			65,038,853		65,038,853
Notes and accounts payable to related parties.....			1,251,239		1,251,239
Taxes accrued.....			68,918,000		68,918,000
Interest accrued.....			20,166,065		20,166,065
Deferred income taxes.....			525,698		525,698
Other.....			28,967,927		28,967,927
<b>Total current liabilities.....</b>			<b>213,121,419</b>		<b>213,121,419</b>
Deferred Credits:					
Regulatory liabilities associated with accumulated deferred investment tax credits.....			68,825,898		68,825,898
Deferred income taxes.....			485,770,653		485,770,653
Regulatory liabilities associated with income taxes.....			41,651,425		41,651,425
Regulatory liabilities-other.....			206,391,430		206,391,430
Other.....			120,753,739		120,753,739
<b>Total deferred credits.....</b>			<b>923,393,145</b>		<b>923,393,145</b>
<b>Total.....</b>			<b>\$ 3,094,639,586</b>	<b>\$ 240,000,000</b>	<b>3,334,639,586</b>

IDAHO POWER COMPANY  
STATEMENT OF ADJUSTING JOURNAL ENTRIES  
As of September 30, 2006  
Giving Effect to the Proposed issuance of  
Medium-term notes

Entry No. 1

Cash.....	\$	240,000,000	
Long-term debt.....			\$ 240,000,000

To record the proposed issuance of medium-term notes and the receipt of cash.

IDAHO POWER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
As of September 30, 2006

1. Management Estimates:

Management makes estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are beyond management's control. As a result, actual results could differ from those estimates.

2. Property Plant and Equipment:

The cost of utility plant in service represents the original cost of contracted services, direct labor and material, Allowance for Funds Used During Construction (AFDC) and indirect charges for engineering, supervision and similar overhead items. Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are expensed to operations. Repair and maintenance costs associated with planned major maintenance are recorded as these costs are incurred. For utility property replaced or renewed, the original cost plus removal cost less salvage is charged to accumulated provision for depreciation, while the cost of related replacements and renewals is added to property, plant and equipment.

All utility plant in service is depreciated using the straight-line method at rates approved by regulatory authorities. Annual depreciation provisions as a percent of average depreciable utility plant in service approximated 2.91 percent in 2005, 2.96 percent in 2004 and 2.99 percent in 2003.

Long-lived assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as prescribed under Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 requires that if the sum of the undiscounted expected future cash flows from an asset is less than the carrying value of the asset, an asset impairment must be recognized in the financial statements.

3. Allowances For Funds Used During Construction:

AFDC represents the cost of financing construction projects with borrowed funds and equity funds. While cash is not realized currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenues resulting from a higher rate base and higher depreciation expense. The component of AFDC attributable to borrowed funds is included as a reduction to interest expense, while the equity component is included in other income. IPC's weighted-average monthly AFDC rates for 2005, 2004 and 2003 were 7.4 percent, 6.9 percent and 8.3 percent, respectively. IPC's reductions to interest expense for AFDC were \$3 million annually from 2003 to 2005. Other income included \$5 million, \$4 million and \$3 million for 2005, 2004 and 2003, respectively.

4. Revenues:

IPC accrues unbilled revenues for electric services delivered to customers but not yet billed at month-end. IPC collects franchise fees and similar taxes related to energy consumption. These amounts are recorded as liabilities until paid to the taxing authority. None of these collections are reported on the income statement as revenue or expense.

5. Power Cost Adjustment:

IPC has a Power Cost Adjustment (PCA) mechanism that provides for annual adjustments to the rates charged to its Idaho retail customers. These adjustments are based on forecasts of net power supply costs, which are fuel and purchased power less off-system sales, and the true-up of the prior year's forecast. During the year, 90 percent of the difference between the actual and forecasted costs is deferred with interest. The ending balance of this deferral, called the true-up for the current year's portion and the true-up of the true-up for the prior years' unrecovered or over-recovered portion, is then included in the calculation of the next year's PCA.

6. Income Taxes:

## NOTES TO FINANCIAL STATEMENTS (Continued)

The liability method of computing deferred taxes is used on all temporary differences between the book and tax basis of assets and liabilities and deferred tax assets and liabilities are adjusted for enacted changes in tax laws or rates. Consistent with orders and directives of the Idaho Public Utilities Commission (IPUC), the regulatory authority having principal jurisdiction, IPC's deferred income taxes (commonly referred to as normalized accounting) are provided for the difference between income tax depreciation and straight-line depreciation computed using book lives on coal-fired generation facilities and properties acquired after 1980. On other facilities, deferred income taxes are provided for the difference between accelerated income tax depreciation and straight-line depreciation using tax guideline lives on assets acquired prior to 1981. Deferred income taxes are not provided for those income tax timing differences where the prescribed regulatory accounting methods do not provide for current recovery in rates. Regulated enterprises are required to recognize such adjustments as regulatory assets or liabilities if it is probable that such amounts will be recovered from or returned to customers in future rates.

The State of Idaho allows a three-percent investment tax credit on qualifying plant additions. Investment tax credits earned on regulated assets are deferred and amortized to income over the estimated service lives of the related properties. Credits earned on non-regulated assets or investments are recognized in the year earned.

### 7. Stock-based Compensation:

Effective January 1, 2006, IDACORP and IPC adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R) using the modified prospective application method. SFAS 123R changes measurement, timing and disclosure rules relating to share-based payments, requiring that the fair value of all share-based payments be expensed. The adoption of SFAS 123R did not have a material impact on IDACORP's or IPC's financial statements for the twelve months ended September 30, 2006.

### 8. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and highly liquid temporary investments with maturity dates at date of acquisition of three months or less.

### 9. Derivative Financial Instruments:

Financial instruments such as commodity futures, forwards, options and swaps are used to manage exposure to commodity price risk in the electricity market. The objective of the risk management program is to mitigate the risk associated with the purchase and sale of electricity and natural gas as well as to optimize energy marketing portfolios. The accounting for derivative financial instruments that are used to manage risk is in accordance with the concepts established by SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

### 10. Regulation of Utility Operations:

IPC follows SFAS 71, "Accounting for the Effects of Certain Types of Regulation," and its financial statements reflect the effects of the different rate-making principles followed by the jurisdictions regulating IPC. The economic effects of regulation can result in regulated companies recording costs that have been, or are expected to be, allowed in the rate-making process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this occurs, costs are deferred as regulatory assets on the balance sheet and recorded as expenses in the periods when those same amounts are reflected in rates. Additionally, regulators can impose regulatory liabilities upon a regulated company for amounts previously collected from customers and for amounts that are expected to be refunded to customers.

### 11. New Accounting Pronouncements:

**SFAS 123(R):** In December 2004, the FASB issued SFAS 123 (revised 2004), "Share-Based Payments," which revises SFAS 123 and supersedes APB 25 and its related interpretive guidance. SFAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123(R) focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.

Under the provisions of SFAS 123(R), the fair value of all stock options must be reported as an expense on the financial statements. IDACORP and IPC currently apply the measurement provisions of APB 25 and the

## NOTES TO FINANCIAL STATEMENTS (Continued)

disclosure-only provisions of SFAS 123. SFAS 123(R) also changes other measurement, timing and disclosure rules relating to share-based payments.

In March 2005, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 107 to provide additional guidance regarding the application of SFAS 123(R). SAB 107 permits registrants to choose an appropriate valuation technique or model to estimate the fair value of share options, assuming consistent application, and provides guidance for the development of assumptions used in the valuation process. Additionally, SAB 107 discusses disclosures to be made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the registrants' periodic reports.

Based upon Securities and Exchange Commission rules issued in April 2005, SFAS 123(R) is effective for fiscal years that begin after June 15, 2005 and will be adopted by IDACORP and IPC in the first quarter of 2006. Adoption is not expected to have a material effect on IDACORP's or IPC's financial statements.

**FIN 48:** In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that IDACORP and IPC recognize in their financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. IDACORP and IPC are currently evaluating the impact of adopting FIN 48 on their financial statements.

**SFAS 157:** In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. IDACORP and IPC are currently evaluating the impact of adopting SFAS 157 on their financial statements.

**SFAS 158:** In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension Plans and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS 158 requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

- Recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation—in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation.
- Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to FASB Statement No. 87, "Employers' Accounting for Pensions", or No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Amounts recognized in accumulated other comprehensive income, including the gains or losses, prior service costs or credits, and the transition asset or obligation remaining from the initial application of Statements 87 and 106, are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those Statements.
- Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions).
- Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

IDACORP is required to initially recognize the funded status of its defined benefit postretirement plan and to provide the required disclosures in its December 31, 2006, financial statements. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. When adopted in the fourth quarter of 2006, the provisions of SFAS 158 will increase IDACORP's and IPC's liabilities and reduce each company's common equity by approximately \$80 million as of January 1, 2006, which is the amount by which the plans' benefit obligations



## NOTES TO FINANCIAL STATEMENTS (Continued)

exceeded the plans' assets. IPC's common equity balance is one factor used in the determination of retail rates. The decrease in common equity resulting from the adoption of SFAS 158 would decrease rates, absent special ratemaking treatment. IPC expects to pursue such treatment from the IPUC and OPUC, and if received, the adoption of SFAS 158 is not expected to have a material effect on IDACORP's or IPC's results of operations or cash flows.

**SAB 108:** In September 2006, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides guidance on how the effects of the carryover or reversal of prior year financial statement misstatements should be considered in quantifying a current year misstatement. Prior practice allowed the evaluation of materiality on the basis of (1) the error quantified as the amount by which the current year income statement was misstated (rollover method) or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated (iron curtain method). Reliance on either method in prior years could have resulted in misstatement of the financial statements. The guidance provided in SAB 108 requires both methods to be used in evaluating materiality. Immaterial prior year errors may be corrected with the first filing of prior year financial statements after adoption. The cumulative effect of the correction would be reflected in the opening balance sheet with appropriate disclosure of the nature and amount of each individual error corrected in the cumulative adjustment, as well as a disclosure of the cause of the error and that the error had been deemed to be immaterial in the past. SAB 108 is effective for IDACORP's and IPC's opening balance sheet in 2007. IDACORP and IPC are currently evaluating the impact SAB 108 might have on their financial position or results of operations.

### 12. Other Accounting Policies:

Debt discount, expense and premium are being amortized over the terms of the respective debt issues.

### 13. Reclassifications:

Certain items previously reported for years prior to 2005 have been reclassified to conform to the current year's presentation. Net income and shareholders' equity were not affected by these reclassifications.

### 14. Financing:

On January 19, 2005, IPC filed a \$245 million shelf registration statement that could be used for first mortgage bonds (including medium-term notes) and debt securities, and when combined with the \$55 million remaining from a March 14, 2003 shelf registration, provided for \$300 million available in shelf registration form. On August 26, 2005 IPC issued \$60 million First Mortgage Bonds 5.30% Series due 2035. Proceeds were invested in short-term investments, which were used on September 9, 2005 to pay at maturity the \$60 million First Mortgage Bonds 5.83% Series due 2005. At December 31, 2005, \$240 million remained available to be issued on this shelf registration statement.

At December 31, 2005 and 2004, the overall effective cost of all of IPC's outstanding debt was 5.84 percent and 5.69 percent, respectively.

The amount of first mortgage bonds issuable by IPC is limited to a maximum of \$1.1 billion and by property, earnings and other provisions of the mortgage and supplemental indentures thereto. IPC may amend the indenture and increase this amount without consent of the holders of the first mortgage bonds. Substantially all of the electric utility plant is subject to the lien of the mortgage. As of December 31, 2005, IPC could issue under the mortgage approximately \$560 million of additional first mortgage bonds based on unfunded property additions and \$452 million of additional first mortgage bonds based on retired first mortgage bonds. At December 31, 2005, unfunded property additions, which consist of electric property, were approximately \$933 million.

At December 31, 2005, IPC had regulatory authority to incur up to \$250 million of short-term indebtedness. IPC has a \$200 million credit facility that expires on March 31, 2010. Under this facility IPC pays a facility fee on the commitment, quarterly in arrears, based on its rating for senior unsecured long-term debt securities without third-party credit enhancement as provided by Moody's and S&P. IPC's commercial paper may be issued up to the amounts supported by the bank credit facilities. There was no commercial paper outstanding at December 31, 2005 or 2004.

15. Regulatory Issues:

**Idaho General Rate Case**

IPC filed a general rate case in October 2005, requesting the IPUC to approve an annual increase to its Idaho retail base rates of \$44 million or 7.8 percent. Base rates primarily reflect IPC's cost of providing electrical service to its customers, including equipment, vehicles and infrastructure.

On February 27, 2006, IPC, the IPUC staff and representatives of customer groups filed a proposed stipulation with the IPUC that, if approved, would settle this case. The stipulation calls for an \$18.1 million increase, or 3.2 percent in IPC's annual electric rates. If approved by the IPUC, the changes in rates are expected to become effective on June 1, 2006.

The rate case filing was made with six months of actual operating expenses and six months of projected expenses. The agreed to increase in rates was lower than the requested amount primarily due to three factors: (1) 2005 actual numbers were significantly less than those forecasted; (2) the overall rate of return agreed to was 8.1 percent compared to the 8.42 percent IPC requested (no specific return on equity was determined); and (3) net power supply costs were kept at levels currently existing in rates. As a result of the settlement, IPC's overall rate of return will increase from the 7.85 percent currently authorized.

**Oregon Rate Case**

On September 21, 2004, IPC filed an application with the OPUC to increase general rates an average of 17.5 percent or approximately \$4.4 million annually. A partial settlement resolved most issues in a manner consistent with the results of the corresponding Idaho general rate case. The most significant issue in this proceeding was the appropriate quantification of net power supply expenses for purposes of setting rates. The OPUC staff proposed that net power supply expenses for IPC be set at a negative number - meaning that IPC should be able to sell enough surplus energy to pay for all fuel and purchased power expenses and still have revenue left over to offset other costs. The bulk of IPC's rebuttal was directed at this position. A hearing was conducted on May 23, 2005. The OPUC issued its order in July 2005 authorizing an increase of \$0.6 million in annual revenues for an average of 2.37 percent. The OPUC adopted the OPUC staff's argument for the negative net power supply costs, thus reducing IPC's initial rate request of \$4.4 million by \$2.4 million with this one adjustment.

On September 26, 2005, IPC filed a complaint with the Circuit Court of Marion County, Oregon asking the court to reverse the portion of the OPUC's general rate case order related to the determination of net power supply costs. Following a full review of the matter, the court denied IPC's reversal request on August 29, 2006. IPC has until November 13, 2006, to file an appeal with the Oregon Court of Appeals.

**Deferred Power Supply Costs**

IPC's deferred (accrued) net power supply costs consisted of the following (in thousands of dollars):

	September 30, 2006	December 31, 2005
Idaho PCA current year:		
Deferral for the 2006-2007 rate year	\$ -	\$ 3,684
Deferral for the 2007-2008 rate year *	3,872	-
Idaho PCA true-up awaiting recovery (refund):		
Authorized May 2005	-	28,567
Authorized May 2006	(15,161)	-
Oregon deferral:		
2001 costs	7,108	8,411
2005 costs	2,833	2,880
<b>Total deferral (accrual)</b>	<b>\$ (1,348)</b>	<b>\$ 43,542</b>

\* includes a \$42.1 million credit for excess SO<sub>2</sub> emission allowance sales allocated to customers

**Idaho**

IPC has a Power Cost Adjustment (PCA) mechanism that provides for annual adjustments to the rates charged to its Idaho retail customers. These adjustments are based on forecasts of net power supply costs,

## NOTES TO FINANCIAL STATEMENTS (Continued)

which are fuel and purchased power less off-system sales, and the true-up of the prior year's forecast. During the year, 90 percent of the difference between the actual and forecasted costs is deferred with interest. The ending balance of this deferral, called the true-up for the current year's portion and the true-up of the true-up for the prior years' unrecovered portion, is then included in the calculation of the next year's PCA.

On May 25, 2006, the IPUC approved IPC's 2006-2007 PCA filing with an effective date of June 1, 2006. The filing reduced the PCA component of customers' rates from the existing level, which was recovering \$76.7 million above then-existing base rates, to a level that is \$46.8 million below those base rates, a decrease of approximately \$123.5 million.

On April 13, 2006, IPC filed testimony requesting review of one component of the PCA referred to as the load growth adjustment rate, as agreed to in the stipulation of the parties settling the 2005 general rate case. The load growth adjustment rate provides a reduction to power supply expenses for PCA purposes when loads grow from levels included in IPC's base rates. IPC maintains that this reduction to expenses should be equal to the relative increase in revenues received as a result of load growth. The IPUC Staff and other parties to the proceeding filed testimony on September 15, 2006, advocating load growth adjustment rates above both the existing rate and IPC's proposal. A hearing was held on October 30, 2006. The dollar impact of load growth adjustment rates is significant and increasing, based on continuing growth within IPC's territory. Any increase in the load growth adjustment rate as a result of this proceeding would magnify the impact. In its rebuttal testimony, IPC estimated that the IPUC Staff proposal, if implemented last year, would have resulted in \$20 million of power supply expense attributable to load growth from April 1, 2005 through March 31, 2006, that would not have been recoverable by IPC when compared to IPC's proposal for full recovery of power supply expense attributable to load growth.

On June 1, 2005, IPC implemented the 2005-2006 PCA, which held the PCA component of customers' rates at the existing level, recovering \$71 million above base rates. By IPUC order, the PCA included \$12 million in lost revenues and \$2 million in related interest resulting from IPC's Irrigation Load Reduction Program that was in place in 2001. The PCA deferred recovery of approximately \$28 million of power supply costs, or 4.75 percent, for one year to help mitigate the impacts of other rate increases. The \$28 million was included in the 2006-2007 PCA filing, and IPC earned a two percent carrying charge on the balance.

**Oregon:** On April 28, 2006, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of May 1, 2006, through April 30, 2007, in anticipation of higher than "normal" power supply expenses. In the Oregon general rate case discussed above, "normal" power supply expenses were set at a negative number (meaning that under normal water conditions IPC should be able to sell enough surplus energy to pay for all fuel and purchased power expenses and still have revenue left over to offset other costs). The forecasted system net power supply expenses included in this deferral filing were \$64 million, which is \$65.9 million higher than the normalized power supply expenses established in the Oregon general rate case. IPC requested authorization to defer an estimated \$3.3 million, the Oregon jurisdictional share of the \$65.9 million. IPC also requested that it earn its Oregon authorized rate of return on the deferred balance and recover the amount through rates in future years, as approved by the OPUC. The parties met on September 20, 2006, and began negotiating for a PCA mechanism for IPC's Oregon jurisdiction, and agreed to suspend discussion of the deferral application while the PCA negotiations are ongoing. The parties believe that any agreement regarding a PCA mechanism may impact resolution of IPC's deferral application. The parties are planning to meet again in early November 2006.

On March 2, 2005, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of March 2, 2005 through February 28, 2006, in anticipation of continued low water conditions. The forecasted net power supply costs included in this filing were \$169 million, of which \$3 million related to the Oregon jurisdiction. IPC proposed to use the same methodology for this deferral filing that was accepted in 2002 for Oregon's share of IPC's 2001 net power supply expenses. On July 1, 2005, IPC, the OPUC staff, and the Citizen's Utility Board entered into a stipulation requesting that the OPUC accept IPC's proposed methodology. Under this methodology, IPC will earn its Oregon authorized rate of return on the deferred balance and will recover the amount through rates in future years, as approved by the OPUC. The OPUC issued Order 05-870 on July 28, 2005, approving the stipulation. On April 19, 2006, IPC filed a request for review and acknowledgement of its deferred net power supply costs for the period of March 2, 2005, through

NOTES TO FINANCIAL STATEMENTS (Continued)

February 28, 2006. The deferral amount was quantified by IPC to be \$2.7 million. On June 14, 2006, a settlement conference was held; however, settlement is pending further staff review.

The timing of future recovery of Oregon power supply cost deferrals is subject to an Oregon statute that specifically limits rate amortizations of deferred costs to six percent per year. IPC is currently amortizing through rates power supply costs associated with the western energy situation of 2001. Full recovery of the 2001 deferral is not expected until 2009, at which time the rate amortization of the 2005-2006 deferral could begin. A 2006-2007 deferral would have to be amortized sequentially following the full recovery of the authorized 2005-2006 deferral.

# ATTACHMENT I(b)

## STATEMENT OF CAPITAL STOCK AND FUNDED DEBT

### IDAHO POWER COMPANY

The following statement as to each class of the capital stock of applicant is as of September 30, 2006, the date of the balance sheet submitted with this application:

#### Common Stock

- (1) Description - Common Stock, \$2.50 par value; 1 vote per share
- (2) Amount authorized - 50,000,000 shares (\$125,000,000 par value)
- (3) Amount outstanding - 39,150,812 shares
- (4) Amount held as reacquired securities - None
- (5) Amount pledged by applicant - None
- (6) Amount owned by affiliated corporations - All
- (7) Amount held in any fund - None

Applicant's Common Stock is held by IDACORP, Inc., the holding company of Idaho Power Company. IDACORP, Inc.'s Common Stock is registered (Pursuant to Section 12(b) of the Securities Exchange Act of 1934) and is listed on the New York and Pacific stock exchanges.

STATEMENT OF CAPITAL STOCK AND FUNDED DEBT (Continued)

IDAHO POWER COMPANY

The following statement as to funded debt of applicant is as of September 30, 2006, the date of the balance sheet submitted with this application.

First Mortgage Bonds

(1) Description	(3) Amount Outstanding
<b>FIRST MORTGAGE BONDS:</b>	
7.38 % Series due 2007, dated as of Dec 1, 2000, due Dec 1, 2007	80,000,000
7.20 % Series due 2009, dated as of Nov 23, 1999, due Dec 1, 2009	80,000,000
6.60 % Series due 2011, dated as of Mar 2, 2001, due Mar 2, 2011	120,000,000
4.75 % Series due 2012, dated as of Nov 15, 2002, due Nov 15, 2012	100,000,000
4.25 % Series due 2013, dated as of May 13, 2003, due October 1, 2013	70,000,000
6 % Series due 2032, dated as of Nov 15, 2002, due Nov 15, 2032	100,000,000
5.50 % Series due 2033, dated as of May 13, 2003, due April 1, 2033	70,000,000
5.50 % Series due 2034, dated as of March 26, 2004, due March 15, 2034	50,000,000
5.875%Series due 2034, dated as of August 16, 2004, due August 15, 2034	55,000,000
5.30 % Series due 2035, dated as of August 23, 2005, due August 15, 2035	60,000,000
	<b>785,000,000</b>

- (2) Amount authorized - Limited within the maximum of \$1,100,000,000 (or such other maximum amount as may be fixed by supplemental indenture) and by property, earnings, and other provisions of the Mortgage.
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount of sinking or other funds - None

For a full statement of the terms and provisions relating to the respective Series and amounts of applicant's outstanding First Mortgage Bonds above referred to, reference is made to the Mortgage and Deed of Trust dated as of October 1, 1937, and First to Fortieth Supplemental Indentures thereto, by Idaho Power Company to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and R. G. Page (Stanley Burg, successor individual trustee), Trustees, presently on file with the Commission, under which said bonds were issued.

STATEMENT OF CAPITAL STOCK AND FUNDED DEBT (Continued)

IDAHO POWER COMPANY

Pollution Control Revenue Bonds

(A) Variable Rate Series 2000 due 2027:

- (1) Description - Pollution Control Revenue Bonds, Variable Rate Series due 2027, Port of Morrow, Oregon, dated as of May 17, 2000, due February 1, 2027.
- (2) Amount authorized - \$4,360,000
- (3) Amount outstanding - \$4,360,000
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount in sinking or other funds - None

(B) Variable Auction Rate Series 2003 due 2024:

- (1) Description - Pollution Control Revenue Refunding Bonds, Variable Auction Rate Series 2003 due 2024, County of Humboldt, Nevada, dated as of October 22, 2003 due December 1, 2024 (secured by First Mortgage Bonds)
- (2) Amount authorized - \$49,800,000
- (3) Amount outstanding - \$49,800,000
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount in sinking or other funds - None

(C) 6.05% Series 1996A due 2026:

- (1) Description - Pollution Control Revenue Bonds, 6.05% Series 1996A due 2026, County of Sweetwater, Wyoming, dated as of July 15, 1996, due July 15, 2026
- (2) Amount authorized - \$68,100,000
- (3) Amount outstanding - \$68,100,000
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount in sinking or other funds - None

(D) Variable Rate Series 1996B due 2026:

- (1) Description - Pollution Control Revenue Bonds, Variable Rate 1996B Series due 2026, County of Sweetwater, Wyoming, dated as of July 15, 1996, due July 15, 2026.
- (2) Amount authorized - \$24,200,000
- (3) Amount outstanding - \$24,200,000
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount in sinking or other funds - None



STATEMENT OF CAPITAL STOCK AND FUNDED DEBT (Continued)

IDAHO POWER COMPANY

Pollution Control Revenue Bonds

(E) Variable Rate Series 1996C due 2026:

- (1) Description - Pollution Control Revenue Bonds, Variable Rate 1996C Series due 2026, County of Sweetwater, Wyoming, dated as of July 15, 1996, due July 15, 2026.
- (2) Amount authorized - \$24,000,000
- (3) Amount outstanding - \$24,000,000
- (4) Amount held as reacquired securities - None
- (5) Amount pledged - None
- (6) Amount owned by affiliated corporations - None
- (7) Amount in sinking or other funds - None

For a full statement of the terms and provisions relating to the outstanding Pollution Control Revenue Bonds above referred to, reference is made to (A) copies of Trust Indenture by Port of Morrow, Oregon, to the Bank One Trust Company, N. A., Trustee, and Loan Agreement between Port of Morrow, Oregon and Idaho Power Company, both dated May 17, 2000, under which the Variable Rate Series 2000 bonds were issued, (B) copies of Loan Agreement between Idaho Power Company and Humboldt County, Nevada dated October 1, 2003; Trust Indenture between Humboldt County, Nevada and Union Bank of California dated October 1, 2003; Escrow Agreement between Humboldt County, Nevada and Bank One Trust Company and Idaho Power Company dated October 1, 2003; Purchase Contract dated October 21, 2003 among Humboldt County, Nevada and Bankers Trust Company; Auction Agreement, dated as of October 22, 2003 among Idaho Power Company, Union Bank of California and Deutsche Bank Trust Company; Insurance Agreement, dated as of October 1, 2003 between AMBAC and Idaho Power Company; Broker-Dealer agreements dated October 22, 2003 among the Auction Agent, Banc One Capital Markets, Banc of America Securities and Idaho Power Company, under which the Auction Rate Series 2003 bonds were issued, and (C) (D) (E) copies of Indentures of Trust by Sweetwater County, Wyoming, to the First National Bank of Chicago, Trustee, and Loan Agreements between Idaho Power Company and Sweetwater County, Wyoming, all dated July 15, 1996, under which the 6.05% Series 1996A bonds, Variable Rate Series 1996B bonds and Variable Rate Series 1996C bonds were issued.

# ATTACHMENT I(c)

## COMMITMENTS AND CONTINGENCIES:

As of December 31, 2005, Idaho Power Company (IPC) had agreements to purchase energy from 87 cogeneration and small power production (CSPP) facilities with contracts ranging from one to 30 years. Under these contracts IPC is required to purchase all of the output from the facilities inside the IPC service territory. For projects outside the IPC service territory, IPC is required to purchase the output that it has the ability to receive at the facility's requested point of delivery on the IPC system. IPC purchased 715,209 megawatt-hours (MWh) at a cost of \$43 million in 2005, 677,868 MWh at a cost of \$40 million in 2004 and 654,131 MWh at a cost of \$38 million in 2003.

At December 31, 2005, IPC had the following long-term commitments relating to purchases of energy, capacity, transmission rights and fuel:

	2006	2007	2008	2009	2010	Thereafter
Cogeneration and small power production	\$ 59,719	\$70,283	\$70,283	\$73,753	\$73,753	\$1,039,377
Power and transmission rights	148,818	14,362	8,762	6,193	3,714	13,001
Fuel	43,370	40,496	26,997	18,013	12,010	10,118

IPC has agreed to guarantee the performance of reclamation activities at Bridger Coal Company of which Idaho Energy Resources Co., a subsidiary of IPC, owns a one-third interest. This guarantee, which is renewed each December, was \$60 million at December 31, 2005. Bridger Coal Company has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. Bridger Coal Company and IPC expect that the fund will be sufficient to cover all such costs. Because of the existence of the fund, the estimated fair value of this guarantee is minimal.

Over the last several years, IPC has spent funds supporting the development of Grid West, a Northwest regional transmission organization (RTO). As of September 30, 2006, IPC had recorded \$1.1 million of loans to Grid West and \$2.3 million of deferred internal costs from participating in the development effort. These amounts were initially deferred anticipating future recovery through Grid West tariffs. IPC ceased funding Grid West after the first quarter of 2006 and Grid West was dissolved on April 11, 2006. IPC no longer expects reimbursement of either amount from Grid West. IPC's accumulation of Grid West development costs in a deferred expense account is consistent with a 2004 accounting order that IPC received from the FERC.

On April 4, 2006, IPC filed a request for an accounting order from the OPUC addressing the deferral of costs related to the development of Grid West. On August 22, 2006, the OPUC granted IPC's request for the deferral of the costs of unrecoverable Grid West loans; however, the OPUC denied IPC's request to defer an immaterial amount of internal costs incurred directly in the development of Grid West.

On April 4, 2006, IPC filed a request for an accounting order from the IPUC addressing the deferral of costs related to the development of Grid West. The total deferral request was \$3.4 million. On June 29, 2006, the IPUC determined that the case would be processed by modified procedure. IPC argued that it should be allowed deferral of the principal and interest on the RTO loan amounts, a carrying charge on the deferred balance and recovery of the incremental internal costs it identified in its application. On October 24, 2006, the IPUC issued an order granting \$1.1 million related to the principal of the RTO loans over a five-year amortization beginning January 1, 2007, and denying recovery of the remaining items. IPC has until November 14, 2006, to petition the IPUC for reconsideration. Following a final decision from the IPUC, IPC will make a filing with the FERC for recovery of Grid West costs.

If IPC is unsuccessful with either the IPUC or with the FERC, some or all of the remaining costs will be expensed.

From time to time IPC is a party to legal claims, actions and complaints in addition to those discussed below. IPC believes that they have meritorious defenses to all lawsuits and legal proceedings. Although they will vigorously defend against them, they are unable to predict with certainty whether or not they will ultimately be successful. However, based on IPC's evaluation, IPC believes that the resolution of these matters, taking into account existing

reserves, will not have a material adverse effect on its consolidated financial positions, results of operations or cash flows.

### **Legal Proceedings**

**Public Utility District No. 1 of Grays Harbor County, Washington:** On October 15, 2002, Public Utility District No. 1 of Grays Harbor County, Washington (Grays Harbor) filed a lawsuit in the Superior Court of the State of Washington, for the County of Grays Harbor, against IDACORP, IPC and IDACORP Energy (IE). On March 9, 2001, Grays Harbor entered into a 20-megawatt (MW) purchase transaction with IPC for the purchase of electric power from October 1, 2001 through March 31, 2002, at a rate of \$249 per MWh. In June 2001, with the consent of Grays Harbor, IPC assigned all of its rights and obligations under the contract to IE. In its lawsuit, Grays Harbor alleged that the assignment was void and unenforceable, and sought restitution from IE and IDACORP, or in the alternative, Grays Harbor alleged that the contract should be rescinded or reformed. Grays Harbor sought as damages an amount equal to the difference between \$249 per MWh and the "fair value" of electric power delivered by IE during the period October 1, 2001 through March 31, 2002.

IDACORP, IPC and IE removed this action from the state court to the U.S. District Court for the Western District of Washington at Tacoma. On November 12, 2002, the companies filed a motion to dismiss Grays Harbor's complaint, asserting that the U.S. District Court lacked jurisdiction because the FERC has exclusive jurisdiction over wholesale power transactions and thus the matter is preempted under the Federal Power Act and barred by the filed-rate doctrine. The court ruled in favor of the companies' motion to dismiss and dismissed the case with prejudice on January 28, 2003. On February 25, 2003, Grays Harbor filed a Notice of Appeal, appealing the final judgment of dismissal to the U.S. Court of Appeals for the Ninth Circuit. On August 10, 2004, the Ninth Circuit affirmed the dismissal of Grays Harbor's complaint, finding that Grays Harbor's claims were preempted by federal law and were barred by the filed-rate doctrine. The court also remanded the case to allow Grays Harbor leave to amend its complaint to seek declaratory relief only as to contract formation, and held that Grays Harbor could seek monetary relief, if at all, only from the FERC, and not from the courts. IDACORP, IPC and IE sought rehearing from the Ninth Circuit arguing that the court erred in granting leave to amend the complaint as such a declaratory relief claim would be preempted and would be barred by the filed-rate doctrine. The Ninth Circuit denied the rehearing request on October 25, 2004, and the decision became final on November 12, 2004.

On that same date, the companies took steps to have the case transferred and consolidated with other similar cases arising out of the California energy crisis currently pending before the Honorable Robert H. Whaley, sitting by designation in the Southern District of California and presiding over Multidistrict Litigation Docket No. 1405, regarding California Wholesale Electricity Antitrust Litigation. On November 18, 2004, Grays Harbor filed an amended complaint alleging that the contract was formed under circumstances of "mistake" as to an "artificial . . . power shortage." Grays Harbor asked that the contract therefore be declared "unenforceable" and found "unconscionable." On December 23, 2004, the Judicial Panel on Multidistrict Litigation conditionally transferred the case to Judge Whaley. Grays Harbor sought to vacate the transfer; however, on April 18, 2005, the Judicial Panel on Multidistrict Litigation ordered the case transferred. On May 18, 2005, IDACORP, IPC and IE filed a motion to dismiss the amended complaint. The motion was heard on September 29, 2005.

On December 16, 2005, Judge Whaley issued an Order Setting Status Conference wherein, rather than expressly ruling on the companies' motion to dismiss Grays Harbor's amended complaint, he ruled that either Grays Harbor or the companies may, within 45 days of the date of the order, petition the FERC to weigh in on this case in light of "the extensive hearings . . . already undertaken by FERC in the Northwest refund proceeding" which may be relevant to this case. On January 27, 2006 Grays Harbor and the companies jointly filed a stipulation requesting that the court stay the action and extend the time in which the parties may petition the FERC by sixty days to March 31, 2006 stating that the parties felt the case was appropriate for mediation prior to further proceedings. On January 31, 2006 the court approved the stipulation staying the case until March 31, 2006 and setting a status conference for April 14, 2006.

On July 25, 2006, the case was dismissed with prejudice by the Honorable Robert H. Whaley, sitting by designation in the U.S. District Court for the Southern District of California, pursuant to an agreed resolution of the matter between Grays Harbor and IDACORP, IPC and IE. The settlement did not have a material adverse effect on IDACORP's consolidated financial position, results of operation or cash flows.

**Port of Seattle:** On May 21, 2003, the Port of Seattle, a Washington municipal corporation, filed a lawsuit against 20 energy firms, including IPC and IDACORP, in the U.S. District Court for the Western District of Washington at Seattle. The Port of Seattle's complaint alleges fraud and violations of state and federal antitrust laws and the Racketeer Influenced and Corrupt Organizations Act. On December 4, 2003, the Judicial Panel on Multidistrict Litigation transferred the case to the Southern District of California for inclusion with several similar multidistrict actions currently pending before the Honorable Robert H. Whaley.

All defendants, including IPC and IDACORP, moved to dismiss the complaint in lieu of answering it. The motions were based on the ground that the complaint seeks to set alternative electrical rates, which are exclusively within the jurisdiction of the FERC and are barred by the filed-rate doctrine. A hearing on the motion to dismiss was heard on March 26, 2004. On May 28, 2004, the court granted IPC's and IDACORP's motion to dismiss. In June 2004, the Port of Seattle appealed the court's decision to the U.S. Court of Appeals for the Ninth Circuit. On July 19, 2005 the companies filed a motion for summary affirmance of the district court's order dismissing the Port of Seattle's complaint. The Ninth Circuit issued an order denying this motion on October 17, 2005.

On March 7, 2006, the U.S. Court of Appeals for the Ninth Circuit heard argument on the Port of Seattle's appeal of the U.S. District Court for the Southern District of California's dismissal of its complaint with prejudice. On March 30, 2006, the Ninth Circuit issued an order denying the Port of Seattle's appeal and affirming the dismissal of the entire case. The dismissal of the case, with prejudice, became final on June 28, 2006, when the Port of Seattle elected not to file a certiorari petition to the U.S. Supreme Court.

**Wah Chang:** On May 5, 2004, Wah Chang, a division of TDY Industries, Inc., filed two lawsuits in the U.S. District Court for the District of Oregon against numerous defendants. IDACORP, IE and IPC are named as defendants in one of the lawsuits. The complaints allege violations of federal antitrust laws, violations of the Racketeer Influenced and Corrupt Organizations Act, violations of Oregon antitrust laws and wrongful interference with contracts. Wah Chang's complaint is based on allegations relating to the western energy situation. These allegations include bid rigging, falsely creating congestion and misrepresenting the source and destination of energy. The plaintiff seeks compensatory damages of \$30 million and treble damages.

On September 8, 2004, this case was transferred and consolidated with other similar cases currently pending before the Honorable Robert H. Whaley. The companies' motion to dismiss the complaint was granted on February 11, 2005. Wah Chang appealed to the Ninth Circuit on March 10, 2005. The Ninth Circuit set a briefing schedule on the appeal, requiring Wah Chang's opening brief to be filed by July 6, 2005. On May 18, 2005, Wah Chang filed a motion to stay the appeal or in the alternative to voluntarily dismiss the appeal without prejudice to reinstatement. The companies opposed the motion and filed a cross-motion asking the Court to summarily affirm the district court's order of dismissal. On July 8, 2005, the Ninth Circuit denied Wah Chang's motion and also denied the companies' motion for summary affirmance without prejudice to renewal following the filing of Wah Chang's opening brief. Wah Chang's opening brief was filed on September 21, 2005. On October 11, 2005 the companies, along with the other defendants, filed a motion to consolidate this appeal with Wah Chang v. Duke Energy Trading and Marketing currently pending before the Ninth Circuit. On October 18, 2005 the Ninth Circuit granted the motion to consolidate and established a revised briefing schedule. The companies filed an answering brief on November 30, 2005. Wah Chang's reply brief was filed on January 6, 2006. The appeal has been fully briefed; however, no date has yet been set for oral argument. IDACORP, IE and IPC intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**City of Tacoma:** On June 7, 2004, the City of Tacoma, Washington filed a lawsuit in the U.S. District Court for the Western District of Washington at Tacoma against numerous defendants including IDACORP, IE and IPC. The City of Tacoma's complaint alleges violations of the Sherman Antitrust Act. The claimed antitrust violations are based on allegations of energy market manipulation, false load scheduling and bid rigging and misrepresentation or withholding of energy supply. The plaintiff seeks compensatory damages of not less than \$175 million.

On September 8, 2004, this case was transferred and consolidated with other similar cases currently pending before the Honorable Robert H. Whaley. The companies' motion to dismiss the complaint was granted on February 11, 2005. The City of Tacoma appealed to the Ninth Circuit on March 10, 2005.

On August 9, 2005, the companies moved for summary affirmance of the district court's order dismissing the City of Tacoma's complaint. The City of Tacoma filed a response to the companies' motion for summary affirmance on August 24, 2005. The Ninth Circuit denied the companies' motion for summary affirmance on November 3, 2005. The appeal has been fully briefed; however, no date has yet been set for oral argument. IDACORP, IE and IPC intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**Wholesale Electricity Antitrust Cases I & II:** These cross-actions against IE and IPC emerged from multiple California state court proceedings first initiated in late 2000 against various power generators/marketers by various California municipalities and citizens. Suit was filed against entities including Reliant Energy Services, Inc., Reliant Ormond Beach, L.L.C., Reliant Energy Etiwanda, L.L.C., Reliant Energy Ellwood, L.L.C., Reliant Energy Mandalay, L.L.C. and Reliant Energy Coolwater, L.L.C. (collectively, Reliant); and Duke Energy Trading and Marketing, L.L.C., Duke Energy Morro Bay, L.L.C., Duke Energy Moss Landing, L.L.C., Duke Energy South Bay, L.L.C. and Duke Energy Oakland, L.L.C. (collectively, Duke). While varying in some particulars, these cases made a common claim that Reliant, Duke and certain others (not including IE or IPC) colluded to influence the price of electricity in the California wholesale electricity market. The plaintiffs asserted various claims that the defendants violated the California Antitrust Law (the Cartwright Act), Business and Professions Code Section 16720 and California's Unfair Competition Law, Business and Professions Code Section 17200. Among the acts complained of are bid rigging, information exchanges, withholding of power and other wrongful acts. These actions were subsequently consolidated, resulting in the filing of Plaintiffs' Master Complaint in San Diego Superior Court on March 8, 2002.

On April 22, 2002, more than a year after the initial complaints were filed, two of the original defendants, Duke and Reliant, filed separate cross-complaints against IPC and IE, and approximately 30 other cross-defendants. Duke and Reliant's cross-complaints sought indemnity from IPC, IE and the other cross-defendants for an unspecified share of any amounts they must pay in the underlying suits because, they allege, other market participants like IPC and IE engaged in the same conduct at issue in the Plaintiffs' Master Complaint. Duke and Reliant also sought declaratory relief as to the respective liability and conduct of each of the cross-defendants in the actions alleged in the Plaintiffs' Master Complaint. Reliant also asserted a claim against IPC for alleged violations of the California Unfair Competition Law, Business and Professions Code Section 17200. As a buyer of electricity in California, Reliant requested the same relief from the cross-defendants, including IPC, as that sought by plaintiffs in the Plaintiffs' Master Complaint as to any power Reliant purchased through the California markets.

Some of the newly added defendants (foreign citizens and federal agencies) removed that litigation to federal court. IPC and IE, together with numerous other defendants added by the cross-complaints, moved to dismiss these claims, and those motions were heard in September 2002, together with motions to remand the case back to state court filed by the original plaintiffs. On December 13, 2002, the U.S. District Court granted Plaintiffs' Motion to Remand to state court, but did not issue a ruling on IPC and IE's motion to dismiss. The U.S. Court of Appeals for the Ninth Circuit granted certain Defendants and Cross-Defendants' Motions to Stay the Remand Order while they appeal the order. The briefing on the appeal was completed in December 2003. On December 8, 2004, the Ninth Circuit issued its opinion in *People of California v. NRG Energy, Inc., et al.*, which affirmed the district court's remand of these cases to state court and dismissed certain federal government defendants due to their sovereign immunity from suit.

On June 3, 2005, the cross-defendants, including IPC and IE, filed a demurrer in state court seeking to dismiss the cross-complaints filed by Duke and Reliant. On August 8, 2005, before that demurrer was to be heard, the Clerk of the Court entered Duke's voluntary dismissal, with prejudice, of the cross-complaint against IE and IPC. Further briefing and hearing on IE and IPC's demurrer to the Reliant cross-complaint was stayed pending the outcome of the demurrer filed by Reliant on the Master Complaint. On September 22, 2005, the Court took Reliant's demurrer off calendar pending approval of a proposed settlement as to the plaintiff's Master Complaint. On October 3, 2005 the court sustained the defendants' (other than Reliant's) joint demurrer to the Master Complaint and scheduled a status conference to discuss the status of the cross-complaints. On October 13, 2005 the court set IE and IPC's demurrer on the cross-complaint for hearing on December 23, 2005.

However, on November 14, 2005, Judge Joan M. Lewis approved a stipulation between the cross-defendants, including IE and IPC, and Reliant. This stipulation provided for dismissal of IE and IPC by Reliant with prejudice subject to reinstatement in the event that approval and finalization of a settlement agreement between Reliant and

the underlying plaintiffs in these cases does not occur. The December 23, 2005 hearing on IE and IPC's demurrer to the cross-complaint was taken off the calendar. A hearing regarding approval of the Reliant settlement was held on Friday January 6, 2006 before Judge Lewis.

Reliant has filed a request for dismissal of IE and IPC with prejudice, which was entered by the clerk of the court on December 19, 2005. Pursuant to IE and IPC's stipulation with Reliant, the dismissal will become final once any judgment and order from the Court approving the Reliant settlement with the plaintiffs becomes final (i.e., once the time for any appeal on the order approving the settlements runs or, if review is sought, the trial court's approval order is affirmed after resolution of all appeals). The time for an appeal from an order approving the settlements would range from 30 to 90 days after entry of the Court's judgments and orders.

On December 14, 2005, the court granted final approval of the Duke settlement with the plaintiffs. The Court's order granting final approval of the Duke settlement became final on March 14, 2006. On January 6, 2006, the court granted preliminary approval of the Reliant settlement. On March 30, 2006, oppositions and objections to the Reliant settlement were filed by certain parties under the Eggers case caption, including by the States of Montana and Idaho. Neither IPC nor IE is a party to the Eggers case, which seeks to recover damages on behalf of consumers in western states other than California. A hearing on final approval of the Reliant settlement was held on April 28, 2006. At the hearing, the court ruled that the California class settlement would receive final approval contingent on a satisfactory showing that the notice to those class members was adequate. As for the Eggers case, the court set a briefing schedule to provide evidence and oral argument regarding the State of Montana's treatment by its class representative and Montana's connection to the California energy market.

On May 30, 2006, the court signed and approved the Judgment, Final Order, and Decree Granting Final Approval to the Reliant settlement. The court also signed and approved the Order Granting Reliant's Motion for Good Faith Settlement Determination. The order approving the Reliant settlement became final on July 31, 2006. On July 14, 2006, the court held a separate hearing to consider approval of the settlement of the Eggers action, and thereafter signed and approved the Judgment, Final Order and Decree Granting Final Approval to the Class Action Settlement in the Eggers case. All appeal periods have now expired.

#### **Western Energy Proceedings at the FERC:**

##### **California Power Exchange Chargeback:**

As a component of IPC's non-utility energy trading in the State of California, IPC, in January 1999, entered into a participation agreement with the California Power Exchange (CalPX), a California non-profit public benefit corporation. The CalPX, at that time, operated a wholesale electricity market in California by acting as a clearinghouse through which electricity was bought and sold. Pursuant to the participation agreement, IPC could sell power to the CalPX under the terms and conditions of the CalPX Tariff. Under the participation agreement, if a participant in the CalPX defaulted on a payment, the other participants were required to pay their allocated share of the default amount to the CalPX. The allocated shares were based upon the level of trading activity, which included both power sales and purchases, of each participant during the preceding three-month period.

On January 18, 2001, the CalPX sent IPC an invoice for \$2 million - a "default share invoice" - as a result of an alleged Southern California Edison payment default of \$215 million for power purchases. IPC made this payment. On January 24, 2001, IPC terminated its participation agreement with the CalPX. On February 8, 2001, the CalPX sent a further invoice for \$5 million, due on February 20, 2001, as a result of alleged payment defaults by Southern California Edison, Pacific Gas and Electric Company and others. However, because the CalPX owed IPC \$11 million for power sold to the CalPX in November and December 2000, IPC did not pay the February 8 invoice. The CalPX later reversed IPC's payment of the January 18, 2001 invoice, but on June 20, 2001 invoiced IPC for an additional \$2 million which the CalPX has not reversed. The CalPX owes IPC \$14 million for power sold in November and December including \$2 million associated with the default share invoice dated June 20, 2001. IPC essentially discontinued energy trading with the CalPX and the California Independent System Operator (Cal ISO) in December 2000.

IPC believes that the default invoices were not proper and that IPC owes no further amounts to the CalPX. IPC has pursued all available remedies in its efforts to collect amounts owed to it by the CalPX. On February 20, 2001, IPC filed a petition with the FERC to intervene in a proceeding that requested the FERC to suspend the use of the CalPX chargeback methodology and provide for further oversight in the CalPX's implementation of its default

mitigation procedures.

A preliminary injunction was granted by a federal judge in the U.S. District Court for the Central District of California enjoining the CalPX from declaring any CalPX participant in default under the terms of the CalPX Tariff. On March 9, 2001, the CalPX filed for Chapter 11 protection with the U.S. Bankruptcy Court, Central District of California.

In April 2001, Pacific Gas and Electric Company filed for bankruptcy. The CalPX and the Cal ISO were among the creditors of Pacific Gas and Electric Company. To the extent that Pacific Gas and Electric Company's bankruptcy filing affects the collectibility of the receivables from the CalPX and the Cal ISO, the receivables from these entities are at greater risk.

The FERC issued an order on April 6, 2001 requiring the CalPX to rescind all chargeback actions related to Pacific Gas and Electric Company's and Southern California Edison's liabilities. Shortly after the issuance of that order, the CalPX segregated the CalPX chargeback amounts it had collected in a separate account. The CalPX claimed it was awaiting further orders from the FERC and the bankruptcy court before distributing the funds that it collected under its chargeback tariff mechanism. On October 7, 2004, the FERC issued an order determining that it would not require the disbursement of chargeback funds until the completion of the California refund proceedings. On November 8, 2004, IE, along with a number of other parties, sought rehearing of that order. On March 15, 2005, the FERC issued an order on rehearing confirming that the CalPX is to continue to hold the chargeback funds, but solely to offset seller-specific shortfalls in the seller's CalPX account at the conclusion of the California refund proceeding. Balances are to be returned to the respective sellers at the conclusion of a seller's participation in the refund proceeding. Powerex Corp. filed a petition for review of the Commission's order on March 24, 2005 in the D.C. Circuit. Neither a briefing schedule nor a date for oral argument has been set.

Based upon the settlement agreement filed with the FERC on February 17, 2006 between the California Parties and IE and IPC discussed below in "California Refund," the California Parties have agreed to support a request that the FERC authorize the CalPX to release \$2.27 million related to the chargeback proceeding to IE and IPC. In the May 22, 2006, Order approving the Settlement, the FERC granted the IE and IPC motion for return of chargeback funds held by the CalPX. On June 1, 2006, IE received approximately \$2.5 million from the CalPX representing the return of \$2.27 million in chargeback funds plus interest.

#### California Refund:

In April 2001, the FERC issued an order stating that it was establishing price mitigation for sales in the California wholesale electricity market. Subsequently, in a June 19, 2001 order, the FERC expanded that price mitigation plan to the entire western United States electrically interconnected system. That plan included the potential for orders directing electricity sellers into California since October 2, 2000 to refund portions of their spot market sales prices if the FERC determined that those prices were not just and reasonable, and therefore not in compliance with the Federal Power Act. The June 19 order also required all buyers and sellers in the Cal ISO market during the subject time frame to participate in settlement discussions to explore the potential for resolution of these issues without further FERC action. The settlement discussions failed to bring resolution of the refund issue and as a result, the FERC's Chief Administrative Law Judge submitted a Report and Recommendation to the FERC recommending that the FERC adopt the methodology set forth in the report and set for evidentiary hearing an analysis of the Cal ISO's and the CalPX's spot markets to determine what refunds may be due upon application of that methodology.

On July 25, 2001, the FERC issued an order establishing evidentiary hearing procedures related to the scope and methodology for calculating refunds related to transactions in the spot markets operated by the Cal ISO and the CalPX during the period October 2, 2000 through June 20, 2001 (Refund Period).

The Administrative Law Judge issued a Certification of Proposed Findings on California Refund Liability on December 12, 2002.

The FERC issued its Order on Proposed Findings on Refund Liability on March 26, 2003. In large part, the FERC affirmed the recommendations of its Administrative Law Judge. However, the FERC changed a component of the formula the Administrative Law Judge was to apply when it adopted findings of its staff that published California spot market prices for gas did not reliably reflect the prices a gas market, that had not been manipulated, would



have produced, despite the fact that many gas buyers paid those amounts. The findings of the Administrative Law Judge, as adjusted by the FERC's March 26, 2003 order, are expected to increase the offsets to amounts still owed by the Cal ISO and the CalPX to the companies. Calculations remain uncertain because (1) the FERC has required the Cal ISO to correct a number of defects in its calculations, (2) it is unclear what, if any, effect the ruling of the Ninth Circuit in *Bonneville Power Administration v. FERC*, described below, might have on the ISO's calculations, and (3) the FERC has stated that if refunds will prevent a seller from recovering its California portfolio costs during the Refund Period, it will provide an opportunity for a cost showing by such a respondent. On August 8, 2005, the FERC issued an Order establishing the framework for filings by sellers who elected to make such a cost showing. On September 14, 2005 IE and IPC made a joint cost filing, as did approximately thirty other sellers. On October 11, 2005, the California entities filed comments on the companies' cost filing and those made by other parties. IPC and IE submitted reply comments on October 19, 2005. The California entities filed supplemental comments on October 24, 2005 and IPC and IE filed supplemental reply comments on October 27, 2005.

In December of 2005, IE and IPC reached a tentative agreement with the California Parties settling matters encompassed by the California Refund proceeding including IE and IPC's cost filing and refund obligation.

On February 17, 2006, IE and IPC jointly filed with the California Parties (Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison, the California Public Utilities Commission, the California Electricity Oversight Board, the California Department of Water Resources and the California Attorney General) an Offer of Settlement at the FERC. Other parties had until March 9, 2006, to elect to become an additional settling party. The majority of other parties chose to opt out of the settlement. After consideration of comments, the FERC approved the settlement on May 22, 2006. Under the terms of the settlement, IE and IPC assigned \$24.25 million of the rights to accounts receivable from the California Independent System Operator (Cal ISO) and California Power Exchange (CalPX) to the California Parties to pay into an escrow account for refunds to settling parties. Amounts from that escrow not used for settling parties and \$1.5 million of the remaining IE and IPC receivables that are to be retained by the CalPX are available to fund, at least partially, payment of the claims of any non-settling parties if they prevail in the remaining litigation of this matter. Any excess funds remaining at the end of the case are to be returned to IDACORP. Approximately \$10.25 million of the remaining IE and IPC receivables was paid to IE and IPC under the Settlement.

On June 21, 2006, the Port of Seattle, Washington filed a request for rehearing of the FERC order approving the Settlement. On July 10, 2006, IDACORP and the California Parties filed a response to Port of Seattle's request for rehearing. On October 5, 2006, the FERC issued an order denying the Port of Seattle's request for rehearing. The time for seeking review of the FERC's Order will not expire until December 4, 2006. IDACORP is unable to predict at this time if any person will seek such review or, if such review is sought, what the eventual outcome will be.

For some time the Ninth Circuit Court of Appeals held in abeyance consolidated petitions for review (in excess of 100) of FERC orders related to the California Refund proceeding. On September 21, 2004, the Ninth Circuit convened case management proceedings on these petitions and on October 22, 2004, severed a subset of issues for briefing related to: (1) which parties are subject to the FERC's refund jurisdiction under section 201(f) of the Federal Power Act; (2) the temporal scope of refunds under section 206 of the Federal Power Act; and (3) which categories of transaction are subject to refunds. Oral argument was held on April 12-13, 2005. On September 6, 2005, the Ninth Circuit issued a decision on the jurisdictional issues concluding that the FERC lacked refund authority over wholesale electric energy sales made by governmental entities and non-public utilities. On August 2, 2006, the Ninth Circuit issued its decision on the appropriate temporal reach and the type of transactions subject to the FERC refund orders and concluded, among other things, that all transactions at issue in the case that occurred within or as a result of the CalPX and the Cal ISO were the proper subject of refund proceedings; refused to expand the refund proceedings into the bilateral markets including transactions with the California Department of Water Resources; approved the refund effective date as October 2, 2000, but also required the FERC to consider whether refunds, including possibly market-wide refunds, should be required for an earlier time due to claims that some market participants had violated governing tariff obligations (although the decision did not specify when that time would start, the California Parties generally had sought further refunds starting May 1, 2000); and effectively expanded the scope of the refund proceeding to transactions within the CalPX and Cal ISO markets outside the 24-hour spot market and energy exchange transactions.

IDACORP believes that these decisions should have no material effect on IDACORP under the terms of the IDACORP Settlement with the California Parties approved by the FERC on May 22, 2006.

IE, along with a number of other parties, filed an application with the FERC on April 25, 2003 seeking rehearing of the March 26, 2003 order. On October 16, 2003, the FERC issued two orders denying rehearing of most contentions that had been advanced and directing the Cal ISO to prepare its compliance filing calculating revised Mitigated Market Clearing Prices and refund amounts within five months. The Cal ISO has since, on a number of occasions, requested additional time to complete its compliance filings. This Cal ISO compliance filing has been delayed until at least March 2006. The Cal ISO is required to update the FERC on its progress monthly.

On December 2, 2003, IE petitioned the U.S. Court of Appeals for the Ninth Circuit for review of the FERC's orders, and since that time, dozens of other petitions for review have been filed. The Ninth Circuit consolidated IE's and the other parties' petitions with the petitions for review arising from earlier FERC orders in this proceeding, bringing the total number of consolidated petitions to more than 100. The Ninth Circuit held the appeals in abeyance pending the disposition of the market manipulation claims discussed below and the development of a comprehensive plan to brief this complicated case. Certain parties also sought further rehearing and clarification before the FERC. On September 21, 2004, the Ninth Circuit convened case management proceedings, a procedure reserved to help organize complex cases. On October 22, 2004, the Ninth Circuit severed a subset of the stayed appeals in order that briefing could commence regarding cases related to: (1) which parties are subject to the FERC's refund jurisdiction under section 201(f) of the Federal Power Act; (2) the temporal scope of refunds under section 206 of the Federal Power Act; and (3) which categories of transactions are subject to refunds. Oral argument was held on April 12-13, 2005. On September 6, 2005 the Ninth Circuit issued its decision in one of the severed cases, *Bonneville Power Administration v. FERC*. In that decision, the Ninth Circuit concluded that the FERC lacked refund authority over wholesale electric energy sales made by governmental entities and non-public utilities. The time for requests for rehearing was to expire on October 21, 2005, but has been extended until 45 days after the Ninth Circuit issues its decision in the other severed cases. IPC cannot predict whether rehearing will be sought and, if sought, whether it will be granted or what action the FERC might take if the matter is remanded.

On May 12, 2004, the FERC issued an order clarifying portions of its earlier refund orders and, among other things, denying a proposal made by Duke Energy North America and Duke Energy Trading and Marketing (and supported by IE) to lodge as evidence a contested settlement in a separate complaint proceeding, *California Public Utilities Commission (CPUC) v. El Paso, et al.* The CPUC's complaint alleged that the El Paso companies manipulated California energy markets by withholding pipeline transportation capacity into California in order to drive up natural gas prices immediately before and during the California energy crisis in 2000-2001. The settlement will result in the payment by El Paso of approximately \$1.69 billion. Duke claimed that the relief afforded by the settlement was duplicative of the remedies imposed by the FERC in its March 26, 2003 order changing the gas cost component of its refund calculation methodology. IE, along with other parties, has sought rehearing of the May 12, 2004 order. On November 23, 2004, the FERC denied rehearing and within the statutory time allowed for petitions, a number of parties, including IE, filed petitions for review of the FERC's order with the Ninth Circuit. These petitions have since been consolidated with the larger number of review petitions in connection with the California refund proceeding.

In June 2001, IPC transferred its non-utility wholesale electricity marketing operations to IE. Effective with this transfer, the outstanding receivables and payables with the CalPX and the Cal ISO were assigned from IPC to IE.

On March 20, 2002, the California Attorney General filed a complaint with the FERC against various sellers in the wholesale power market, including IE and IPC, alleging that the FERC's market-based rate requirements violate the Federal Power Act, and, even if the market-based rate requirements are valid, that the quarterly transaction reports filed by sellers do not contain the transaction-specific information mandated by the Federal Power Act and the FERC. The complaint stated that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including IE and IPC, to refile their quarterly reports to include transaction-specific data. The Attorney General appealed the FERC's decision to the U.S. Court of Appeals for the Ninth Circuit. The Attorney General contends that the failure of all market-based rate authority sellers of power to have rates on file with the FERC in advance of sales is impermissible. The Ninth Circuit issued its decision on September 9, 2004, concluding that market-based tariffs are permissible under the Federal Power Act, but remanded the matter to the

FERC to consider whether the FERC should exercise remedial power (including some form of refunds) when a market participant failed to submit reports that the FERC relies on to confirm the justness and reasonableness of rates charged. Certain parties to the litigation have sought rehearing. IPC cannot predict whether rehearing will be granted or what action the FERC might take if the matter is remanded.

On May 26, 2005 the California Parties filed a motion to lodge additional evidence, primarily audiotapes produced by Enron employees, in the California Refund Proceedings in Docket No. EL00-95. A number of parties, including IDACORP, answered in opposition to that motion.

#### Market Manipulation:

In a November 20, 2002 order, the FERC permitted discovery and the submission of evidence respecting market manipulation by various sellers during the western power crises of 2000 and 2001.

On March 3, 2003, the California Parties (certain investor owned utilities, the California Attorney General, the California Electricity Oversight Board and the CPUC) filed voluminous documentation asserting that a number of wholesale power suppliers, including IE and IPC, had engaged in a variety of forms of conduct that the California Parties contended were impermissible. Although the contentions of the California Parties were contained in more than 11 compact discs of data and testimony, approximately 12,000 pages, IE and IPC were mentioned only in limited contexts with the overwhelming majority of the claims of the California Parties relating to the conduct of other parties.

The California Parties urged the FERC to apply the precepts of its earlier decision, to replace actual prices charged in every hour starting May 1, 2000 through the beginning of the existing Refund Period with a Mitigated Market Clearing Price, seeking approximately \$8 billion in refunds to the Cal ISO and the CalPX. On March 20, 2003, numerous parties, including IE and IPC, submitted briefs and responsive testimony.

In its March 26, 2003 order, discussed above in "California Refund," the FERC declined to generically apply its refund determinations to sales by all market participants, although it stated that it reserved the right to provide remedies for the market against parties shown to have engaged in proscribed conduct.

On June 25, 2003, the FERC ordered over 50 entities that participated in the western wholesale power markets between January 1, 2000 and June 20, 2001, including IPC, to show cause why certain trading practices did not constitute gaming or anomalous market behavior in violation of the Cal ISO and the CalPX Tariffs. The Cal ISO was ordered to provide data on each entity's trading practices within 21 days of the order, and each entity was to respond explaining their trading practices within 45 days of receipt of the Cal ISO data. IPC submitted its responses to the show cause orders on September 2 and 4, 2003. On October 16, 2003, IPC reached agreement with the FERC Staff on the two orders commonly referred to as the "gaming" and "partnership" show cause orders. Regarding the gaming order, the FERC Staff determined it had no basis to proceed with allegations of false imports and paper trading and IPC agreed to pay \$83,373 to settle allegations of circular scheduling. IPC believed that it had defenses to the circular scheduling allegation but determined that the cost of settlement was less than the cost of litigation. In the settlement, IPC did not admit any wrongdoing or violation of any law. With respect to the "partnership" order, the FERC Staff submitted a motion to the FERC to dismiss the proceeding because materials submitted by IPC demonstrated that IPC did not use its "parking" and "lending" arrangement with Public Service Company of New Mexico to engage in "gaming" or anomalous market behavior ("partnership"). The "gaming" settlement was approved by the FERC on March 3, 2004. Eight parties have requested rehearing of the FERC's March 3, 2004 order, but the FERC has not yet acted on those requests. The motion to dismiss the "partnership" proceeding was approved by the FERC in an order issued on January 23, 2004 and rehearing of that order was not sought within the time allowed by statute. Some of the California Parties and other parties have petitioned the U.S. Court of Appeals for the Ninth Circuit and the District of Columbia Circuit for review of the FERC's orders initiating the show cause proceedings. Some of the parties contend that the scope of the proceedings initiated by the FERC was too narrow. Other parties contend that the orders initiating the show cause proceedings were impermissible. Under the rules for multidistrict litigation, a lottery was held and although these cases were to be considered in the District of Columbia Circuit by order of February 10, 2005, the District of Columbia Circuit transferred the proceedings to the Ninth Circuit. The FERC had moved the District of Columbia Circuit to dismiss these petitions on the grounds of prematurity and lack of ripeness and finality. The transfer order was issued before a ruling from the District of Columbia Circuit and the motions, if renewed, will be considered by

the Ninth Circuit. IPC is not able to predict the outcome of the judicial determination of these issues.

On June 25, 2003, the FERC also issued an order instituting an investigation of anomalous bidding behavior and practices in the western wholesale power markets. In this investigation, the FERC was to review evidence of alleged economic withholding of generation. The FERC determined that all bids into the CalPX and the Cal ISO markets for more than \$250 per MWh for the time period May 1, 2000 through October 1, 2000 would be considered prima facie evidence of economic withholding. The FERC Staff issued data requests in this investigation to over 60 market participants including IPC. IPC responded to the FERC's data requests. In a letter dated May 12, 2004, the FERC's Office of Market Oversight and Investigations advised that it was terminating the investigation as to IPC. In March 2005, the California Attorney General, the CPUC, the California Electricity Oversight Board and Pacific Gas and Electric Company sought judicial review in the Ninth Circuit of the FERC's termination of this investigation as to IPC and approximately 30 other market participants. IPC has moved to intervene in these proceedings. On April 25, 2005, Pacific Gas and Electric Company sought review in the Ninth Circuit of another FERC order in the same docketed proceeding confirming the agency's earlier decision not to allow the participation of the California Parties in what the FERC characterized as its non-public investigative proceeding.

The February 17, 2006 Offer of Settlement, if approved by the FERC, would terminate the investigations the FERC initiated without finding of wrongdoing by IE or IPC, and would provide for the disposition of the "gaming" settlement.

Pursuant to the Offer of Settlement filed with the FERC on February 17, 2006, between the California Parties and IE and IPC and discussed above in "California Refund", the requests for rehearing of the California Parties and other settling parties of the FERC's approval of an earlier settlement with the FERC staff regarding allegations of "gaming" are deemed to be withdrawn. On May 22, 2006, the FERC issued an order approving the February 17, 2006, Offer of Settlement. On October 11, 2006, the FERC issued an Order denying rehearing of its earlier approval of the "gaming" allegations, thereby effectively terminating the FERC investigations as to IPC and IE regarding bidding behavior, physical withholding of power and "gaming" without finding of wrongdoing. The time for seeking review of the FERC's Order will not expire until December 11, 2006. IPC and IE are unable to predict at this time if any person will seek such review or, if such review is sought, what the eventual outcome will be.

#### Pacific Northwest Refund:

On July 25, 2001, the FERC issued an order establishing another proceeding to explore whether there may have been unjust and unreasonable charges for spot market sales in the Pacific Northwest during the period December 25, 2000 through June 20, 2001. The FERC Administrative Law Judge submitted recommendations and findings to the FERC on September 24, 2001. The Administrative Law Judge found that prices should be governed by the Mobile-Sierra standard of the public interest rather than the just and reasonable standard, that the Pacific Northwest spot markets were competitive and that no refunds should be allowed. Procedurally, the Administrative Law Judge's decision is a recommendation to the commissioners of the FERC. Multiple parties submitted comments to the FERC with respect to the Administrative Law Judge's recommendations. The Administrative Law Judge's recommended findings had been pending before the FERC, when at the request of the City of Tacoma and the Port of Seattle on December 19, 2002, the FERC reopened the proceedings to allow the submission of additional evidence related to alleged manipulation of the power market by Enron and others. As was the case in the California refund proceeding, at the conclusion of the discovery period, parties alleging market manipulation were to submit their claims to the FERC and responses were due on March 20, 2003. Grays Harbor, whose civil litigation claims were dismissed, as noted above, intervened in this FERC proceeding, asserting on March 3, 2003 that its six-month forward contract, for which performance had been completed, should be treated as a spot market contract for purposes of the FERC's consideration of refunds and is requesting refunds from IPC of \$5 million. Grays Harbor did not suggest that there was any misconduct by IPC or IE. The companies submitted responsive testimony defending vigorously against Grays Harbor's refund claims.

In addition, the Port of Seattle, the City of Tacoma and the City of Seattle made filings with the FERC on March 3, 2003 claiming that because some market participants drove prices up throughout the west through acts of manipulation, prices for contracts throughout the Pacific Northwest market should be re-set starting in May 2000 using the same factors the FERC would use for California markets. Although the majority of these claims are generic, they named a number of power market suppliers, including IPC and IE, as having used parking services provided by other parties under FERC-approved tariffs and thus as being candidates for claims of improperly

having received congestion revenues from the Cal ISO. On June 25, 2003, after having considered oral argument held earlier in the month, the FERC issued its Order Granting Rehearing, Denying Request to Withdraw Complaint and Terminating Proceeding, in which it terminated the proceeding and denied claims that refunds should be paid. The FERC denied rehearing on November 10, 2003, triggering the right to file for review. The Port of Seattle, the City of Tacoma, the City of Seattle, the California Attorney General, the CPUC and Puget Sound Energy, Inc. filed petitions for review in the Ninth Circuit. These petitions have been consolidated. Grays Harbor did not file a petition for review, although it has sought to intervene in the proceedings initiated by the petitions of others. On July 21, 2004, the City of Seattle submitted to the Ninth Circuit in the Pacific Northwest refund petition for review a motion requesting leave to offer additional evidence before the FERC in order to try to secure another opportunity for reconsideration by the FERC of its earlier rulings. The evidence that the City of Seattle seeks to introduce before the FERC consisted of audio tapes of what purports to be Enron trader conversations containing inflammatory language that have been the subject of coverage in the press. Under Section 313(b) of the Federal Power Act, a court is empowered to direct the introduction of additional evidence if it is material and could not have been introduced during the underlying proceeding. On September 29, 2004, the Ninth Circuit denied the City of Seattle's motion for leave to adduce evidence, without prejudice to renewing the request for remand in the briefing in the Pacific Northwest refund case. Briefing was completed on May 25, 2005 and oral argument has been scheduled for January 8, 2007.

The Settlement approved by the FERC on May 22, 2006, resolves all claims the California Parties have against IE and IPC in the Pacific Northwest Refund proceeding. The settlement with Grays Harbor resolves all claims Grays Harbor has against IE and IPC in this proceeding. IPC is unable to predict the outcome as to all other parties in this proceeding.

#### **Western Shoshone National Council**

On April 10, 2006, the Western Shoshone National Council (which purports to be the governing body of the Western Shoshone Nation) and certain of its individual tribal members filed a First Amended Complaint and Demand for Jury Trial in the U.S. District Court for the District of Nevada, naming IPC and other unrelated entities as defendants.

Plaintiffs allege that IPC's ownership interest in certain land, minerals, water or other resources was converted and fraudulently conveyed from lands in which the plaintiffs had historical ownership rights and Indian title dating back to the 1860's or before. Although it is unclear from the complaint, it appears plaintiffs' claims relate primarily to lands within the state of Nevada. Plaintiffs seek a judgment declaring their title to land and other resources, disgorgement of profits from the sale or use of the land and resources, a decree declaring a constructive trust in favor of the plaintiffs of IPC's assets connected to the lands or resources, an accounting of money or things of value received from the sale or use of the lands or resources, monetary damages in an unspecified amount for waste and trespass and a judgment declaring that IPC has no right to possess or use the lands or resources.

On May 1, 2006, IPC filed an Answer to plaintiffs' First Amended Complaint denying all liability to the plaintiffs and asserting certain affirmative defenses including collateral estoppel and res judicata, preemption, impossibility and impracticability, failure to join all real and necessary parties, and various defenses based on untimeliness. On June 19, 2006, IPC filed a motion to dismiss plaintiffs' First Amended Complaint, asserting, among other things, that the Court lacks subject matter jurisdiction and that plaintiffs failed to join an indispensable party (namely, the United States government). Briefing on the motion to dismiss was completed on September 28, 2006. IPC intends to vigorously defend its position in this proceeding, but is unable to predict the outcome of this matter.

# ATTACHMENT I(d)

IDAHO POWER COMPANY  
STATEMENT OF RETAINED EARNINGS  
AND  
UNDISTRIBUTED SUBSIDIARY EARNINGS  
For the Twelve Months Ended September 30, 2006

Retained Earnings

Retained earnings (at the beginning of period) .....	308,210,410
Balance transferred from income.....	84,076,355
Dividends received from subsidiary.....	-
Total.....	392,286,765
Dividends:	
Common Stock .....	38,220,273
Total.....	38,220,273
Retained earnings (at end of period).....	\$ 354,066,492

Undistributed Subsidiary Earnings

Balance (at beginning of period).....	36,491,464
Equity in earnings for the period.....	9,430,473
Dividends paid (Debit).....	-
Balance (at end of period).....	\$ 45,921,937

# ATTACHMENT I(e)



IDAHO POWER COMPANY  
EXPLANATION OF ADJUSTMENTS SHOWING  
EFFECT OF TRANSACTION IN THE INCOME STATEMENT  
For the Twelve Months Ended September 30, 2006

Interest on long-term debt

Interest on existing \$240,000,000 principal amount  
of first mortgage bonds and short term debt retired at  
interest rates ranging between 5.4% & 7.38%..... \$ 16,609,000

Interest on new \$240,000,000 principal amount of  
first mortgage bonds issued at interest rate estimated  
at 6.50%..... 15,600,000

Interest expense..... \$ (1,009,000)

Income taxes:

Increase in Federal income taxes:  
due to increase in interest expense  
(\$1,009,000 x 32.8%)..... \$ 330,952

Increase in State income taxes:  
due to increase in interest expense  
(\$1,009,000 x 6.3%)..... \$ 63,567

IDAHO POWER COMPANY  
STATEMENT OF INCOME  
For the Twelve Months Ended September 30, 2006

	Actual
Operating Revenues.....	941,752,864
Operating Expenses:	
Purchased power.....	289,565,974
Fuel.....	109,536,278
Power cost adjustment.....	(8,250,302)
Other operation and maintenance expense.....	243,957,608
Depreciation expense.....	90,794,478
Amortization of limited-term electric plant.....	8,974,252
Taxes other than income taxes.....	21,169,230
Income taxes - Federal.....	81,694,962
Income taxes - Other.....	11,107,496
Provision for deferred income taxes.....	(3,364,120)
Provision for deferred income taxes - Credit.....	(35,572,855)
Investment tax credit adjustment.....	812,470
Total operating expenses.....	810,425,471
Operating Income.....	131,327,393
Other Income and Deductions:	
Allowance for equity funds used during construction.....	6,069,746
Income taxes.....	(10,340)
Other - Net.....	11,469,147
Net other income and deductions.....	17,528,553
Income Before Interest Charges.....	148,855,946
Interest Charges:	
Interest on first mortgage bonds.....	46,320,250
Interest on other long-term debt.....	7,515,972
Interest on short-term debt.....	506,931
Amortization of debt premium, discount and expense - Net.....	2,261,401
Other interest expense.....	1,952,413
Total interest charges.....	58,556,967
Allowance for borrowed funds used during construction - Credit.....	3,515,518
Net interest charges.....	55,041,449
Net Income.....	\$ 93,814,497

The accompanying Notes to Financial Statements are an integral part of this statement